



**Capital Partners**

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# Principal Adverse Impact Statement

LGT Capital Partners (FL) Ltd  
30 June 2023

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# 1. Summary

LGT Capital Partners (FL) Ltd (Z1C2CNQL65L8VZ278H86) (“LGT CP FL”) considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures on an opt-in basis. All product-level specifications on principal adverse impacts, including whether a product considers such principal adverse impacts, is provided for in the associated pre-contractual documentation. Only products which have opted-in are considered in the reported outcomes. For sustainable investments this means ensuring that the investments do no significant harm to any environmental or social objective.

This is the consolidated statement on principal adverse impacts on sustainability factors of LGT CP FL. The publication of this statement on principal adverse impacts on sustainability factors coincides with the first reference period of 1 January 2022 to 31 December 2022. Reporting over that reference period on the indicators for adverse impacts of Table 1, and any relevant indicators of Table 2 and 3 of Annex I of the Commission Delegated Regulation (EU) 2022/1288 (“SFDR Delegated Act”) will take place in 2023, following the measurement of the first reference periods (Q1 2022 - Q4 2022).

Investors should note the availability of data on some indicators is limited due to a lack of reporting of metrics by companies, issuers or investee entities, which may greatly vary by asset class. This is particularly pronounced in private markets, meaning the reported results stem to a greater extent from fund holdings in the public and listed domain. LGT CP assess principle adverse impacts on a best efforts basis, utilising a broad set of data sources aiming to provide investors with a comprehensive overview.

Summary of the principal adverse impacts considered by LGT CP FL and its asset manager, or where applicable, investment advisor, LGT Capital Partners Ltd (the “Asset Manager”)

**Table A: Summary of principal adverse impacts on sustainability factors (numbering per the SFDR Delegated Act)**

| INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES  |
|---|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS  |
| <b>Mandatory indicators</b>   |
| 1. Greenhouse gas ("GHG") emissions   |
| 2. Carbon footprint   |
| 3. GHG intensity of investee companies  |
| 4. Exposure to companies active in the fossil fuel sector   |
| 5. Share of non-renewable energy consumption and production   |
| 6. Energy consumption intensity per high impact climate sector  |
| 7. Activities negatively affecting biodiversity sensitive areas   |
| 8. Emissions to water   |
| 9. Hazardous waste and radioactive waste ratio  |
| <b>Additional indicators</b>  |
| 4. Investments in companies without carbon emission reduction initiatives   |
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS  |
| <b>Mandatory indicators</b>   |
| 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises  |
| 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises |
| 12. Unadjusted gender pay gap   |
| 13. Board gender diversity  |
| 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)                                  |
| <b>Additional indicators</b>  |
| 9. Lack of a human rights policy  |
| INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS   |
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS  |
| 15. GHG intensity   |
| 16. Investee countries subject to social violations   |
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS  |
| 22. Non-cooperative tax jurisdictions   |
| 24. Average rule of law score   |

\*required for US only in 2021/2022 cycle, optional for rest of world, optional for LGBTQ  
Source: ESG Data Convergence Initiative

## 2. Description of the principal adverse impacts on sustainability factors

**Table B: Description of the principal adverse impacts on sustainability factors**

### INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

#### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse Sustainability Indicator | Metric  | Impact (year n)   | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |  |
|----------------------------------|---|---|-------------------|-------------|--|--|
| Green-house gas emissions        | 1. GHG emissions  | Scope 1 GHG emissions   | 518'975           | N/A         | Coverage: 45.3%<br>Eligible: 49.2%   | The Asset Manager joined the Net Zero Asset Managers initiative (NZAM) and committed to reach net zero emissions by 2050 or sooner across all assets under management.<br><br>The Asset Manager aims to reduce its financed emissions by 50% until 2030, relative to a 2020 baseline <sup>1</sup> .<br><br>The AUM in scope will gradually increase to reach 100% of AUM.  |
|                                  |   | Scope 2 GHG emissions   | 168'713           | N/A         | Coverage: 45.3%<br>Eligible: 49.2%   |  |
|                                  |   | Scope 3 GHG emissions   | 3'901'989         | N/A         | Coverage: 45.3%<br>Eligible: 49.2%   |  |
|                                  |   | Total GHG emissions   | 4'589'677         | N/A         | Coverage: 45.3%<br>Eligible: 49.2%   |  |
|                                  | 2. Carbon footprint   | Carbon footprint  | 258.8             | N/A         | Coverage: 45.3%<br>Eligible: 49.2%   | Companies' greenhouse gas emissions and related measures are part of the Asset Manager's proprietary ESG scoring.  |
|                                  | 3. GHG intensity of investee companies  | GHG intensity of investee companies   | 654.8             | N/A         | Coverage: 45.3%<br>Eligible: 49.2%   | Additionally, we exclude companies that are involved in the thermal coal production and limit investments into utilities based on their carbon intensity.  |
|                                  | 4. Exposure to companies active in the fossil fuel sector   | Share of investments in companies active in the fossil fuel sector  | 2.8%              | N/A         | Coverage: 43.9%<br>Eligible: 49.2%   | <b>Engagement/Voting</b><br>"Climate action" is a thematic engagement priority for the Asset Manager over a 5-year period. One of the three key pillars is "Net-zero by 2050 or sooner". Targeted engagement action include:<br><ul style="list-style-type: none"> <li>• Ambition to be net zero aligned to support the goal of limiting global warming to 1.5° Celsius</li> <li>• Science based targets for the short-, medium- and long-term</li> <li>• Credible transition plans e.g., improved energy efficiency, increased share of renewable energy, value-chain decarbonisation and more sector-specific actions such as low-emission technologies and zero-emission vehicles</li> <li>• Transparency on reporting across the value chain, including on progress</li> </ul> |
|                                  | 5. Share of non-renewable energy consumption and production/non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as percentage | 74%               | N/A         | Coverage: 35.7%<br>Eligible: 49.2%   | With the following objectives for investee companies:<br><ul style="list-style-type: none"> <li>• Reduce GHG emissions in an accountable, trackable and transparent manner to achieve net zero by 2050 or sooner</li> </ul>  |
|                                  | 6. Energy consumption intensity per high impact climate sector  | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector  | 5.25              | N/A         | Coverage: 23.5%<br>Eligible: 49.2%   | The Asset Manager uses voting rights to support strategic measures to accelerate or adapt to a low carbon business model. Hence, the Asset Manager in general vote in line with what the Asset Manager considers will help ensure stronger alignment between the company's net zero trajectory and its policies, reporting, actions, and risk management and oversight. This could relate to supporting voting items on e.g., disclosure of encompassing climate-related metrics, targets and climate lobbying activities. In addition, inability to adequately address climate action could result in voting against board member(s) most accountable/responsible for climate risk oversight.   |

<sup>1</sup>50% reduction initially refers to 22% of sustainable or ESG-linked AUM.

## INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse Sustainability Indicator |   | Metric   | Impact (year n) | Impact (year n-1) | Explanation                        | Actions taken, and actions planned and targets set for the next reference period   |
|----------------------------------|---|--|-----------------|-------------------|------------------------------------|--|
| Biodiversity                     | 7. Activities negatively affecting biodiversity sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0.0%            | N/A               | Coverage: 43.4%<br>Eligible: 49.2% | <p>Companies operating in industries that have a material impact on biodiversity are assessed on their activities to reduce impact on biodiversity. The assessment is included in the proprietary ESG rating tool.</p> <p>Companies involved in significant controversies on biodiversity topics may be excluded from the investment universe, where such exclusion is outlined in the investment policy of a specific product.</p> <p><b>Engagement/Voting</b><br/>Biodiversity is closely linked to the Asset Manager's thematic engagement priority of "Climate action". One of the three key pillars is "Responsible value chain". Targeted engagement action include:</p> <ul style="list-style-type: none"> <li>• Identification, monitoring and disclosure of nature-related risks such as deforestation and water pollution</li> <li>• Policies and targets to protect and restore biodiversity and ecosystems, especially in high-risk areas e.g., eco-sensitive zones and water-stressed areas</li> <li>• Anchored in high-quality data and transparent reporting that spans the entire value chain; including suppliers, distributors and end-consumers</li> </ul> <p>With the following objectives for investee companies:</p> <ul style="list-style-type: none"> <li>• Safe and responsible use of natural resources</li> <li>• Protect the environment and improve human health and well-being across the value chain</li> </ul> <p>So far there have been very few resolutions related to biodiversity and there is little guidance around it. However, given the increased focus on the topic the Asset Manager expects this to change going forward. In general, the Asset Manager supports social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value.</p> |

## INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse Sustainability Indicator | Metric                | Impact (year n)  | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period  |
|----------------------------------|-----------------------|--|-------------------|-------------|---|
| Water                            | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 223.5             | N/A         | <p>Coverage: 4.1%<br/>Eligible: 49.2%</p> <p>For relevant industries, companies' water footprint, toxic emissions and related policies are part of the Asset Manager's proprietary ESG scoring.</p> <p>Companies involved in significant controversies on water topics, like pollution or excessive water withdrawal may be excluded from the investment universe, where such exclusion is outlined in the investment policy of a specific product.</p> <p><b>Engagement/Voting</b></p> <p>Water is closely linked to the Asset Manager's thematic engagement priority of "Climate action". One of the three key pillars is "Responsible value chain". Targeted engagement action include:</p> <ul style="list-style-type: none"> <li>• Identification, monitoring and disclosure of nature-related risks such as water pollution</li> <li>• Policies and targets to protect and restore water quality, especially in high-risk areas e.g., water-stressed areas</li> <li>• Anchored in high-quality data and transparent reporting that spans the entire value chain; including suppliers, distributors and end-consumer</li> </ul> <p>With the following objectives for investee companies:</p> <ul style="list-style-type: none"> <li>• Reduce water consumption and prevent water pollution - in an accountable, trackable and transparent manner</li> <li>• Safe and responsible use of natural resources</li> <li>• Protect the environment and improve human health and well-being across the value chain</li> </ul> <p>The Asset Manager uses its voting rights in order to support efforts to improve water efficiency, recyclability and prevent water pollution. Hence, the Asset Manager in general votes in line with what it considers will help strengthen water-related policies, reporting, actions and risk management and oversight – with emphasis on a location specific approach considering the urgency of water stressed areas. This could relate to supporting voting items on e.g., disclosure of water usage metrics, reduction targets, risks (impact and dependencies), and water stress management.</p> |

## INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse Sustainability Indicator |  | Metric  | Impact (year n) | Impact (year n-1) | Explanation                        | Actions taken, and actions planned and targets set for the next reference period   |
|----------------------------------|--|---|-----------------|-------------------|------------------------------------|--|
| Waste                            | 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 135.5           | N/A               | Coverage: 12.8%<br>Eligible: 49.2% | <p>For relevant industries, companies' waste footprint, toxic emissions and related policies are part of the Asset Manager's proprietary ESG rating tool.</p> <p>Companies involved in significant controversies on waste topics may be excluded from the investment universe, where such exclusion is outlined in the investment policy of a specific product.</p> <p><b>Engagement/Voting</b><br/>Waste is closely linked to the Asset Manager's thematic engagement priority of "Climate action". One of the three key pillars is "Transition to a circular economy". Targeted engagement action include:</p> <ul style="list-style-type: none"> <li>• Promote re-usable/recyclable/ compostable materials to limit waste</li> <li>• Increase recycled content share while reducing virgin material consumption</li> <li>• Limit upstream introduction of hazardous substances and account for the complex balancing across the lifecycle in a circular model</li> <li>• Efficient use of material with less spill across the value chain</li> </ul> <p>With the following objectives for investee companies:</p> <ul style="list-style-type: none"> <li>• Reduce waste, especially hazardous waste, in an accountable, trackable and transparent manner</li> <li>• Protect the environment and improve human health and well-being across the value chain</li> </ul> <p>There are overall very few resolutions for holdings related to waste and little guidance on the topic. However, where possible the Asset Manager in general supports social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value.</p> |



## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse Sustainability Indicator | Metric   | Impact (year n)   | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |  |
|----------------------------------|--|---|-------------------|-------------|--|--|
| Social and employee matters      | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guide-lines for Multinational Enterprises | 0.8%              | N/A         | Coverage: 45.3%<br>Eligible: 49.2%   | <p>The Asset Manager acts in accordance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and is guided by these international standards to assess the behavior of companies.</p> <p>The compliance with the principles of the UN Global Compact is assessed using the Asset Manager’s proprietary controversy screening and scoring. Companies with significant controversies related to the principles may be excluded from the investment universe, where such exclusion is outlined in the investment policy of a specific product.</p> <p><b>Engagement/Voting</b></p> <p>The Asset Manager systematically monitors companies held in LGT CP FL’s portfolios and recommendation lists based on their ESG score and negative news flow. Any negative developments will, in a timely manner, result in reactive engagement on the specific issue with the company. Supposed breaches of international norms, especially the UNGC principles, will be prioritised as reactive engagement cases for deeper analysis as the Asset Manager considers human rights violations a material sustainability risk. In the engagement dialogue companies’ views on the related negative events, measures taken to improve companies’ practices and follow up actions to remedy the situation will be covered. If an engagement exercise proves unsuccessful, escalation strategies available include reducing or divestment of holdings in the investee company’s securities, voting against the board of directors and consideration of a collaborative engagement.</p> <p>Regarding proactive dialogues, “Responsible value chain” is a key pillar for targeted engagement action, in which integration of the social context, e.g., the due diligence and monitoring of human rights and labour conditions, is vital.</p> <p>The Asset Manager uses its voting rights in order to support strategic measures to advance human rights in line with the Sustainable Development Goals (SDGs) and mitigate or actively reduce risks related to human rights and avoid negative impacts. Hence, the Asset Manager in general votes in line with what it considers will strengthen human rights-related policies, reporting, actions and risk management and oversight. This could relate to supporting voting items on e.g., disclosure of human rights due diligence processes, human rights impact assessments and independent third-party audits. In addition, inability to adequately address human rights norms could result in voting against board member(s) most accountable/responsible for human rights.</p> |

## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse Sustainability Indicator | Metric  | Impact (year n)  | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |   |
|----------------------------------|---|--|-------------------|-------------|--|---|
| Social and employee matters      | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 14.4%             | N/A         | Coverage: 45.1%<br>Eligible: 49.2%   | <p>The Asset Manager expects from its investee companies to abide by the principles of the UN Global Compact. Companies' policies and processes to ensure compliance with the principles are part of the Asset Manager's ESG rating tool.</p> <p>The compliance with the principles of the UN Global Compact is assessed using the Asset Manager's proprietary controversy screening and scoring. Companies with significant controversies related to the principles may be excluded from the investment universe, where such exclusion is outlined in the investment policy of a specific product.</p> <p><b>Engagement/Voting</b></p> <p>The Asset Manager systematically monitors companies held in LGT CP FL's portfolios and recommendation lists based on their ESG score and negative news flow. Any negative developments will, in a timely manner, result in reactive engagement on the specific issue with the company. Supposed breaches of international norms, especially the UNGC principles, will be prioritised as reactive engagement cases for deeper analysis as the Asset Manager considers human rights violations a material sustainability risk. In the engagement dialogue companies' views on the related negative events, measures taken to improve companies' practices and follow up actions to remedy the situation will be covered. If an engagement exercise proves unsuccessful, escalation strategies available include reducing or divestment of holdings in the investee company's securities, voting against the board of directors and consideration of a collaborative engagement.</p> <p>Regarding proactive dialogues, "Responsible value chain" is a key pillar for targeted engagement action, in which integration of the social context, e.g., the due diligence and monitoring of human rights and labour conditions, is vital.</p> <p>The Asset Manager uses its voting rights in order to support strategic measures to advance human rights in line with the Sustainable Development Goals (SDGs) and mitigate or actively reduce risks related to human rights and avoid negative impacts. Hence, the Asset Manager in general votes in line with what it considers will strengthen human rights-related policies, reporting, actions and risk management and oversight. This could relate to supporting voting items on e.g., disclosure of human rights due diligence processes, human rights impact assessments and independent third-party audits. In addition, inability to adequately address human rights norms could result in voting against board member(s) most accountable/responsible for human rights.</p> |

## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse Sustainability Indicator | Metric                        | Impact (year n)   | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |   |
|----------------------------------|-------------------------------|---|-------------------|-------------|--|---|
| Social and employee matters      | 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 10%               | N/A         | Coverage: 9.6%<br>Eligible: 49.2%  | <p>The unadjusted gender pay gap of companies is part of the Asset Manager's proprietary ESG rating tool.</p> <p><b>Engagement/Voting</b><br/>Supporting improvements within diversity, equity &amp; inclusion (DEI) is a firm-wide prioritised area, hence is also deeply embedded in engagement efforts with investee companies. Targeted engagement action include the disclosure of:</p> <ul style="list-style-type: none"> <li>• diversity-related metrics such as gender pay gap and incidents related to harassment and discrimination</li> <li>• policies and targets to improve diversity, especially within executive management and at the board level</li> <li>• training, development and other initiatives to attract and retain diverse talent and people from underrepresented backgrounds</li> <li>• whistleblowing system and protection against retaliation</li> </ul> <p>With the following objectives for investee companies:</p> <ul style="list-style-type: none"> <li>• Support DEI</li> <li>• Improve human health and well-being across the value chain</li> </ul> <p>The Asset Manager uses its voting rights to support strategic measures to achieve diverse organisations that can attract and retain higher quality talent. Hence, the Asset Manager in general votes in line with what it considers will help strengthen DEI-related policies, reporting, actions and risk management and oversight. This could relate to supporting voting items on e.g., disclosure of compensation disparities, prevention of discrimination and harassment and improved gender and minority board representation.</p> |

## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse Sustainability Indicator | Metric                     | Impact (year n)   | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period   |
|----------------------------------|----------------------------|---|-------------------|-------------|--|
| Social and employee matters      | 13. Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 31.9%             | N/A         | <p>Coverage: 44%<br/>Eligible: 49.2%</p> <p>Board gender diversity is part of the Asset Manager's proprietary ESG rating tool.</p> <p><b>Engagement/Voting</b><br/>Supporting improvements within diversity, equity &amp; inclusion (DEI) is a firm-wide prioritised area, hence is also deeply embedded in engagement efforts with investee companies. Targeted engagement action include the disclosure of:</p> <ul style="list-style-type: none"> <li>• diversity-related metrics such as gender pay gap and incidents related to harassment and discrimination</li> <li>• policies and targets to improve diversity, especially within executive management and at the board level</li> <li>• training, development and other initiatives to attract and retain diverse talent and people from underrepresented backgrounds</li> <li>• whistleblowing system and protection against retaliation</li> </ul> <p>With the following objectives for investee companies:</p> <ul style="list-style-type: none"> <li>• Support DEI</li> <li>• Improve human health and well-being across the value chain</li> </ul> <p>The Asset Manager uses its voting rights to support strategic measures to achieve diverse organisations that can attract and retain higher quality talent. Hence, the Asset Manager in general votes in line with what it considers will help strengthen DEI-related policies, reporting, actions and risk management and oversight. This could relate to supporting voting items on e.g., disclosure of compensation disparities, prevention of discrimination and harassment and improved gender and minority board representation.</p> <p>In regard to the latter, the Asset Manager in general votes AGAINST (or WITHHOLD depending on the market) the chair of the nominating committee, or other directors on a case-by-case basis, if there is lack of diversity on the board. For most markets the Asset Manager votes in, it strives for the board to be comprised of at least 40 percent underrepresented gender identities.*</p> |

<sup>2</sup> Note that the threshold taken into account for "lack of diversity on the board" differs between regions. Please refer to the SRI Proxy Voting Guidelines for details.

## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse Sustainability Indicator | Metric   | Impact (year n)  | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |  |
|----------------------------------|--|--|-------------------|-------------|--|--|
| Social and employee matters      | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0%                | N/A         | Coverage: 48%<br>Eligible: 49.2%   | <p>The Asset Manager excludes companies that are involved in the production of anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons, based on the following treaties or legal bans on controversial weapons:</p> <ol style="list-style-type: none"> <li>1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines.</li> <li>2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions.</li> <li>3. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons.</li> <li>4. Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.</li> <li>5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (USA, Russia, UK, France and China).</li> </ol> |

## INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

| Adverse Sustainability Indicator |   | Metric   | Impact (year n) | Impact (year n-1) | Explanation                        | Actions taken, and actions planned and targets set for the next reference period   |
|----------------------------------|---|--|-----------------|-------------------|------------------------------------|--|
| Environmental                    | 15. GHG intensity                                   | GHG intensity of investee countries  | 514             | N/A               | Coverage: 13.8%<br>Eligible: 17.4% | <p>The Asset Manager measures the GHG intensity of countries.</p> <p>The Asset Manager has developed a tool to monitor countries current and forward-looking CO2 intensities. However, those numbers are not yet included in the overall company-level net zero framework due to early-stage methodology on how to assess the Paris alignment of sovereigns.</p> <p>In addition, environmental indicators such as emissions, green energy production, natural resources depletion and deforestation are also considered as part of the ESG Country Rating.</p> |
| Social                           | 16. Investee countries subject to social violations | Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law | 0.3%<br>(1191)  | N/A               | Coverage: 13.8%<br>Eligible: 17.4% | <p>The Asset Manager monitors this indicator using the list of EU sanctioned countries.</p> <p>If a country is subject to international comprehensive sanctions, it is excluded from the investable universe.</p> <p>In addition, various other social indicators are included in the ESG country rating for example such as education, health, standards of living, civil liberties and gender equality.</p>  |

## INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

| Adverse Sustainability Indicator |   | Metric   | Impact (year n) | Impact (year n-1) | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|---|--|-----------------|-------------------|-------------|--|
| Fossil fuels                     | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | N/A             | N/A               | N/A         | N/A  |
| Energy efficiency                | 18. Exposure to energy-inefficient real estate assets   | Share of investments in energy inefficient real estate assets  | N/A             | N/A               | N/A         | N/A  |

**OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS**  
**CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS**  
**INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES**

| Adverse Sustainability Indicator |   | Metric  | Impact (year n) | Impact (year n-1) | Explanation                        | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|---|---|-----------------|-------------------|------------------------------------|--|
| Emissions                        | 4. Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement | 5.5%            | N/A               | Coverage: 38.1%<br>Eligible: 49.2% | Please see indicator 1. GHG emissions  |

**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**  
**INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES**

| Adverse Sustainability Indicator |                                  | Metric   | Impact (year n) | Impact (year n-1) | Explanation                        | Actions taken, and actions planned and targets set for the next reference period   |
|----------------------------------|----------------------------------|--|-----------------|-------------------|------------------------------------|--|
| Human rights                     | 9. Lack of a human rights policy | Share of investments in entities without a human rights policy | 6.8%            | N/A               | Coverage: 42.0%<br>Eligible: 49.2% | <p>The Asset Manager expects from its investee companies respect internationally recognized human rights according to the UN Universal Declaration of Human Rights.</p> <p>The compliance with human rights is assessed using the proprietary controversy screening and scoring. Companies with significant controversies related to the principles may be excluded from the investment universe, where such exclusion is outlined in the investment policy of a specific product.</p> <p><b>Engagement/Voting</b></p> <p>The Asset Manager systematically monitors companies held in LGT CP FL's portfolios and recommendation lists based on their ESG score and negative news flow. Any negative developments will, in a timely manner, result in reactive engagement on the specific issue with the company. Supposed breaches of international norms, especially the UNGC principles, will be prioritized as reactive engagement cases for deeper analysis as the Asset Manager considers human rights violations a material sustainability risk. In the engagement dialogue companies' views on the related negative events, measures taken to improve companies' practices and follow up actions to remedy the situation will be covered. If an engagement exercise proves unsuccessful, escalation strategies available include reducing or divestment of holdings in the investee company's securities, voting against the board of directors and consideration of a collaborative engagement.</p> <p>Regarding proactive dialogues, "Responsible value chain" is a key pillar for our targeted engagement action, in which integration of the social context, e.g., the due diligence and monitoring of human rights and labour conditions, is vital.</p> <p>The Asset Manager uses its voting rights in order to support strategic measures to advance human rights in line with the Sustainable Development Goals (SDGs) and mitigate or actively reduce risks related to human rights and avoid negative impacts. Hence, the Asset Manager in general votes in line with what it considers will strengthen human rights-related policies, reporting, actions and risk management and oversight. This could relate to supporting voting items on e.g., disclosure of human rights due diligence processes, human rights impact assessments and independent third-party audits. In addition, inability to adequately address human rights norms could result in voting against board member(s) most accountable/responsible for human rights.</p> |



## INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

| Adverse Sustainability Indicator |                                       | Metric  | Impact (year n) | Impact (year n-1) | Explanation                        | Actions taken, and actions planned and targets set for the next reference period  |
|----------------------------------|---------------------------------------|---|-----------------|-------------------|------------------------------------|---|
| Governance                       | 22. Non-cooperative tax jurisdictions | Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes   | 0.1%            | N/A               | Coverage: 13.8%<br>Eligible: 17.4% | The Asset Manager monitors the EU list of non-cooperative jurisdictions for tax purposes. The annual data is updated into the proprietary ESG rating tool.  |
|                                  | 24. Average rule of law score         | Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column | 1.003           | N/A               | Coverage: 13.8%<br>Eligible: 17.4% | The Asset Manager monitors the average Rule of law score for the invested countries.<br><br>In addition, the indicator is part of the governance component of the ESG Country Rating. The governance component includes indicators such as institutional strength, corruption, democracy and political stability. |

### 3. Description of policies to identify and prioritize principal adverse impacts on sustainability factors

Principal adverse impacts (“PAI”) on sustainability factors are those impacts of our investment decisions that result in material negative impacts on environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

LGT CP FL and its Asset Manager considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures on an opt-in basis. The availability of data on some indicators is limited due to a lack of reporting of metrics by companies, issuers or investee entities, which may greatly vary by asset class. This is particularly pronounced in private markets, meaning the reported results stem to a greater extent from fund holdings in the public and listed domain. The measurement of PAI is conducted on a best-efforts basis and while there may be a margin of error linked to the quality of data, such margin is subject to individual data received from third-party data providers, which ultimately relies on the data reported by individual companies or issuers. All further product-level specifications are provided in the associated pre-contractual documentation.

PAIs are prioritised by virtue of specific investment policies of a given fund. Such prioritisation may include PAI-related ESG issues which may directly impact on the inclusion of investments in a given fund.

Certain firm-wide exclusions are applied irrespective of instruments traded or whether a product applies ESG-related investment policies:

- Controversial weapons policy: LGT CP FL excludes companies that are involved in the production of anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons.
- Thermal coal policy: LGT CP FL excludes thermal coal mining companies and utilities that generate more than 5% of their revenues from thermal coal plants.

In addition, products may exclude companies that breach the UN Guiding Principles and OECD Guidelines for Multinational Enterprises and companies generating significant amount of revenue from other business activities deemed to be controversial (e.g. armaments, tobacco, pornography, nuclear power production).

For sustainable investments, the Asset Manager’s proprietary SDG framework identifies and incorporates PAIs. Additionally, PAIs are captured under the “do not significant harm” principle for sustainable investments.

When investing in sovereign bonds, the Asset Manager considers environmental objectives, such as CO2 intensity as well as social objectives, such as corruption levels or public spending for education.

Where strategies have a dedicated ESG or impact remit, additional criteria and exclusions apply which are specified in pre-contractual documentation for each respective product. Such portfolios are systematically monitored based on their respective ESG criteria and ongoing news flow to factor in any changes to CP FL’s or the Asset Manager’s assessment, as applicable. One example is a controversy alert or sudden drop in the ESG assessment, which allows the identification of any negative developments in a timely manner.

For products in the public or listed domain, this would result in engagement, voting against a company through proxy voting or ultimately divestment. A product might also be invested in companies that do not perform well on certain ESG aspects but are on track to implement changes to improve on these areas. Companies are typically engaged to gain a better understanding of processes implemented and the current state regarding these topics.

For our investment activities with third-party managers, monitoring of ESG risks is conducted as part of the overall monitoring process. Regular monitoring calls are conducted with fund managers in order to discuss a range of topics related to such investment activities, which includes ESG risks. The aim is to ensure the fund managers’ continued adherence to their own or external ESG guidelines and continued improvement of practice. Issues addressed during monitoring are logged into an ESG assessment template. Particularly in private markets, the Asset Manager also monitors individual portfolio companies for ESG controversies by leveraging a solution that tracks in real time more than 100,000 independent information sources in 23 languages. This enables engagement with fund managers on ESG on a well-informed basis, as well as offer advice on further ESG integration.

For products in the public or listed domain, the Asset Manager engages with companies as part of its investment due diligence and to clarify or express concerns over potential environmental, social or governance issues at company or at industry level. The Asset Manager aims to achieve a constructive dialogue between investors and investee companies to discuss companies’:

- views on specific ESG-related negative events, measures taken to improve companies’ practices, follow up actions to remedy the situation;
- management of ESG risks and business opportunities associated with sustainability challenges;
- enhanced disclosure of ESG-related information, data and practices. The Asset Manager specifically encourages companies to disclose more relevant information and environmental-related metrics by adapting to internationally well-respected reporting standards such as the Global Reporting Initiative (“GRI”) or the Task Force on Climate-Related Financial Disclosure (“TCFD”).

A more complete description of these activities can be found in our SRD II Shareholder Engagement Policy, which can be found here: [www.lgtcp.com/en/regulatory-information](http://www.lgtcp.com/en/regulatory-information) and in product-level pre-contractual documentation, as applicable.

We adhere to business conduct rules and international standards including the Principles for Responsible Investment (“PRI”), the United Nations Global Compact (“UNGC”), United Nations Universal Declaration of Human Rights (“UDHR”), and the OECD Principles of Corporate Governance.

### Governance

The board and governing bodies of the Asset Manager and LGT CP FL are responsible for defining the required ESG or sustainability standards and monitoring their implementation. The board is being informed on an annual basis by the executive committee (the “EC”) on a broad range of ESG topics, spanning product implementation, evolving integration practices and regulatory developments.

The EC is responsible for the implementation of the prescribed standards defined by the board and the monitoring of legal and regulatory requirements and compliance with these policies. The EC and a board member of LGT CP FL are informed on a regular basis

by the ESG Committee (the “ESGC”) on ESG and climate related aspects.

The ESGC is responsible for the execution of the EC’s decisions and the coordination of the implementation as well as the development of policies and procedures across investment management, reporting, risk management and client services. This includes the approach to Principal Adverse Impact (PAI).

The ESGC meets monthly and reports regularly to the EC. The Asset Manager has established dedicated Sub-Committees to the ESGC in order focus on specific areas such as private markets, liquid markets, diversity, equity & inclusion (DEI), climate action and ESG regulation.

### Data sources

The Asset Manager sources data on PAIs from third-party providers includes MSCI, Refinitiv, Upright Project, Sustainalytics and RepRisk. For any given indicator, multiple data sources may be used. For each indicator, third-party providers are selected based on a data quality assessment.

The Asset Manager applies various measures to control the data quality, all data sources are assessed on an ongoing basis for data quality, coverage and other attributes. Despite all the checks, the data quality and availability of the data relating to the PAIs remain limited and can constrain our ability to undertake quantitative analysis of the PAIs. This issue can be particularly pronounced for private companies, smaller companies or companies in emerging markets. The Asset Manager continuously strives to improve the data coverage.

## 4. Engagement policies

Pursuing engagements and active ownership are a vital part of the Asset Manager's investment approach, representing one of four pillars to integrate environmental, social and governance ("ESG") considerations into the investment process. It is our responsibility as sustainable investors to use our position to try to influence the behaviors of companies to act in the most favorable way for society, investors, and other relevant stakeholders.

Engaging in dialogue with companies on ESG matters has been part of our investment process since 2009. To enable us to better consolidate and track engagement activities the Asset Manager integrated a proprietary engagement tool into our ESG rating system in 2020. As tools and processes have evolved, the Asset Manager continues to enhance how engagement is conducted and monitors engagement. Our engagement efforts today have an outcome-orientated focus which is measurable and traceable.

Certain principal adverse impact (PAI) indicators are considered as part of the Asset Manager's approach to active ownership. Such indicators include greenhouse gas emissions, biodiversity, water, waste, and social and employee matters. Investors may refer to Table B for more details on principal adverse impact (PAI) indicators considered in our approach.

### **Our approach to active ownership for sustainable strategies and private equity Engagement work spans various types of activities, including:**

- Direct dialogue with companies on topics relating to several PAI indicators;
- Proactive engagement to drive positive change and measurable outcomes;
- Research related engagement;
- Investor collaborations;
- Reactive engagement i.e., systematic monitoring of news flow on investee companies;
- Proxy voting in equity investments;
- Dialogue with Private Equity managers on ESG topics;
- Dialogue with equity sponsors and/or investee companies and annual ESG campaign feedback to portfolio in debt investments; and
- Promoting green and social financing in fixed income investments.

### *Direct dialogue with companies: proactive and research related engagement*

As part of the initial and ongoing qualitative ESG assessment, the Asset Manager's sector specialists are in continuous dialogue with companies within the Asset Manager's sustainable universe. They use company meetings to discuss firms' current ESG efforts and any areas of further development, including companies that already perform well. LGT CP FL may at times also be invested in companies that do not perform well on certain ESG aspects but are on track to implement changes to improve in these areas. The Asset Manager typically engages with these companies to gain a better understanding of processes implemented and the current progress regarding these topics. This type of research-related engagement provides companies with the opportunity to offer further clarification and insight into their ESG practices and aspirations. This increased understanding and knowledge of companies' or issuers' ESG practices allows us to further identify areas for improvement and gives us the opportunity to encourage companies to improve or scale up their efforts on environmental, social and governance (ESG) aspects.

### **Investor collaborations**

The Asset Manager works together with other investors in cases where engagement objectives are aligned, and believes there is a higher probability of achieving a result through a collective effort. This can include ad-hoc collective action on specific topics as well as longer-term investor collaborations.

### **Reactive engagement through systematic monitoring**

The Asset Manager systematically monitors companies held in LGT CP FL's portfolios and recommendation lists based on their ESG score and negative news flow. Data provided by RepRisk allows us to identify any negative developments in a timely manner. This enables us to focus on these specific, relevant issues for reactive engagement.

### **Exercising voting rights**

The Asset Manager closely follows the Socially Responsible Investment ("SRI") International Proxy Voting Guidelines provided by the Institutional Shareholder Services Inc. ("ISS"). To monitor ISS

processes, the Asset Manager reviews all voting recommendations. The ultimate voting decision lies with the investment team. As representative of shareholders, whenever possible, the Asset Manager uses its voting rights in order to:

- improve the level of reporting disclosure;
- align management compensation to ESG key performance indicators and emission targets; and
- support strategic measures to accelerate or adapt to a low-carbon business model.

For more information and our escalation process, please refer to the Active Ownership Policy for LGT CP FL's sustainable strategies. A complete list of all proxies voted is available [here](#).

#### **Fixed income green and social financing engagement**

Green-, social- and sustainable bonds are playing a significant role in the climate and social transition needed. Whilst the impact bond issuance market is growing rapidly, impact finance flows still appear to be far below the level needed to achieve the goals set at the UN Climate Change Conference in Paris and set out in the Paris Agreement. Therefore, the Asset Manager's engagement efforts, particularly in the area of fixed income, involve the promotion of the private as well as public sector to provide green and social financing. Specifically for the public sector engagement at sovereign level the Asset Manager believes in the power of collective engagement to achieve the desired influential outcome. The Asset Manager has made a minimum commitment of 50% impact bonds for sustainable fixed income global aggregate and corporate strategies.

#### **Adaption of the policies**

LGT CP FL will conduct a review every reporting period to assess whether there has been a reduction of the principal adverse impacts (PAI). In case of insufficient progress, the engagement policies described above will be adapted in terms of the selection of companies for engagement and/or voting, as well as the process during engagements including escalation strategy and objective setting.

## 5. References to international standards

The Asset Manager is an active member and supporter of several external organizations as well as participants in various industry groups. These include, but are not limited to, the below list:

- Net Zero Asset Managers Initiative
- The Swiss Climate Foundation
- Institutional Investors Group on Climate Change (IIGCC)
- Climate Action 100+
- GIIN
- Initiative Climate International
- ICMA Green and Social Bond Principles
- CDP – Carbon Disclosure Project
- Swiss Sustainable Finance
- Member of the European Sustainable Investment Forum (Eurosif)
- UN Principles for Responsible Investment (PRI) Signatory
- Signatory of the PRI Montreal Carbon Pledge
- ESG Data Convergence Initiative

The Asset Manager's ambition is that the companies that the products invest in comply with the international norms and conventions it adheres to.

**The internationally recognized standards with a concrete link to the PAI indicators are outlined below:**

### **Paris Agreement**

PAI 1-6, Greenhouse gas emissions

Companies' greenhouse gas emissions and related measures are part of the Asset Manager's proprietary ESG scoring.

LGT CP FL joined the Net Zero Asset Managers initiative (NZAMI) and committed to reach net zero emissions by 2050 or sooner across all assets under management.

LGT CP FL and the Asset Manager has set ambitious interim targets for its investments. Against a baseline year of 2020, the aim is to reduce emissions by 50% until 2030.

As an initial target, the Asset Manager committed to manage 22% of its total assets under management in line with net zero by 2050 or sooner. The Asset Manager decided to define asset classes as "in scope" where it has a robust GHG measurement framework and

the ability to effect change through investment decisions. Therefore, the Asset Manager included listed corporate investment instruments of our in-house and externally managed funds and customized mandates in asset classes such as listed equities and fixed income as well as liquid alternative strategies. Not yet in scope are asset classes such as money market instruments, sovereign debt and insurance-linked strategies. For these, the Asset Manager recognizes that methodologies are still at an early stage and that data coverage/quality needs further improvement. Through a review of targets which will take place at least every five years, the scope of the net zero strategy will gradually increase and reach 100% of AUM.

The alignment of the committed assets under management with the carbon targets is measured by setting carbon budgets. The carbon budgets of the Asset Manager's methodology are based on the International Energy Agency (IEA) Net Zero 2050 scenario. The IEA scenario starts in the year 2019 and shows what is needed for the global energy sector to achieve net-zero CO<sub>2</sub> emissions by 2050. This is consistent with limiting the global temperature rise to 1.5 °C without a temperature overshoot (with a 50% probability).

The Asset Manager's climate action strategy is built on three pillars:

1. "Mitigation" aims at tackling the causes and minimizing the possible impacts of climate change.
2. "Adaptation" focuses on providing capital to businesses that help communities cope with the negative implications, while taking advantage of potential new opportunities.
3. "Integration" means considering climate-related factors at all levels of decision-making.

### **UN Global Compact**

PAI 10, Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises  
PAI 11, Lack of processes and compliance mechanisms to monitor compliance with UN Global Compliance principles and OECD Guidelines for Multinational Enterprises

United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business

and Human Rights, Responsible Business Conduct and International Labour Organization (ILO) Conventions outline minimal behavioral standards that serve as the basis for engagements as well as for exclusions.

The compliance with the principles of the UN Global Compact is assessed using the Asset Manager's proprietary controversy screening and scoring. Companies with significant controversies related to the principles may be excluded from the investment universe, where such exclusion is outlined in the investment policy of a specific product.

## 6. Historical comparison

A historical comparison of the period reported on with the previous reported period will be made as of 2024.



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